

Message Text

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ACTION EB-04

INFO OCT-01 SS-14 ISO-00 STR-02 STRE-00 IO-06 NSCE-00
CIAE-00 INR-05 NSAE-00 OMB-01 L-01 TRSE-00 IGA-02
SP-02 SSO-00 INRE-00 /038 W
-----021501 161251Z /53

O 161232Z JAN 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC IMMEDIATE 4271
INFO ALL EC CAPITALS
AMEMBASSY TOKYO
USMISSION GENEVA

C O N F I D E N T I A L BRUSSELS 00852

LIMDIS

USEEC

DEPT PASS STR ELECTRONICALLY
GENEVA FOR USMTN

STR FOR AMBASSADORS STRAUSS AND WOLFF
STATE FOR UNDER SECRETARY COOPER
GENEVA FOR AMBASSADOR MCDONALD

E.O. 11652: GDS
TAGS: ETRD, EEC
SUBJECT: MTN

REF: (A) BRUSSELS 00796, (B) PARIS 01150

1. I AM TOO DENSE TO UNDERSTAND HOW BARRE COULD LOSE AN
ELECTION BECAUSE OF A HYPOTHETICAL TARIFF CUT, BUT I
CAN SEE THAT HIS POPULARITY MIGHT JUMP MARKEDLY WERE
FRANCE IN DIFFICULT ECONOMIC CIRCUMSTANCES TO STAND
ALONE AGAINST A MAJOR TARIFF CUT. THAT WILL GET HIM
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FAVORABLE HEADLINES IN FRANCE, NOT A BAD RESULT EXCEPT
FOR WHAT IT DOES TO THE MTN.

2. MOREOVER, PAYE'S REMARK TO HORMATS AND MYERSON
(REF. B) TO THE EFFECT THAT THE SITUATION IS NOT LIKELY
TO BE BETTER AFTER THE ELECTIONS, STRIKES ME AS PROBABLY
CORRECT.

3. WHAT THEN SHOULD WE DO? SHOULD WE SHOW SOME SIGN OF FLEXIBILITY ON THE EVE OF, OR EVEN DURING, THE COUNCIL MEETING, OR SHOULD WE JUST LEAVE IT WITH THE COMMISSION AND THE EIGHT TO PLAY THE HAND OUT? IF THE LATTER, AND IF IT DOESN'T WORK, WHAT THEN?

4. I DON'T LIKE TO BLINK AND I DON'T THINK THAT FAILURE TO GET AGREEMENT ON FORTY PERCENT WOULD REALLY LEAD TO THE COLLAPSE OF THE MTN AS DENMAN HAS BEEN SAYING ON OUR BEHALF. NEVERTHELESS, IF, WITH OUR ANTICIPATED EXCEPTIONS AND WITH FORESEEABLE EC WITHDRAWALS, WE EXPECT THAT THE OVERALL FINAL CUT WILL, IN FACT, BE MUCH CLOSER TO THIRTY THAN TO FORTY PERCENT, THERE IS SOMETHING TO BE SAID FOR WORKING WITH THE FRENCH 30 TO 40 BAND CONCEPT. PERHAPS, AT THE COUNCIL THE FRENCH WOULD AGREE TO INITIAL EC OFFERS AT THE FORTY PERCENT LEVEL AND THE OTHERS COULD ACCEPT THE BAND AS DEFINING THE RANGE FOR AN ULTIMATE OUTCOME. I DON'T THINK WE SHOULD SIGNAL FLEXIBILITY ON THIS IN ADVANCE, BUT MY DCM DOES AND HE HAS, ON OCCASION, READ THESE MATTERS BETTER THAN I.

5. ALTERNATIVELY, IF WE HAVE TIME ENOUGH TO LEAVE TARIFFS ALONE FOR 60 DAYS, WE COULD, WHILE EXPRESSING MEASURED REGRET AND CONCERN, AND INDICATING HARMONIZATION AND SELECTIVE SAFEGUARDS LOOK LESS LIKELY NOW, CALL FOR

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PROCEEDING ALL-OUT IN GENEVA FROM JANUARY 23 ON, CONCENTRATING ON AGRICULTURE AND THE SUBSIDIES COUNTERVAIL PROBLEM. TO DRIVE HOME THE POINT OF OUR OWN DETERMINATION TO MOVE AHEAD DESPITE ELECTORAL PROBLEMS IN FRANCE, WE SHOULD TABLE OUR OFFERS ON THE BASIS OF THE OTHERWISE AGREED FORTY PERCENT HYPOTHESIS AND RALLY THE JAPANESE AND AS MANY OTHERS AS POSSIBLE TO DO THE SAME. THE OBJECT OF THIS KIND OF STRATEGY WOULD BE TO TRY TO ISOLATE SOME OTHER KEY VARIABLES WHERE WE WOULD WANT THE COMMUNITY AND THE FRENCH TO GIVE WERE WE SUBSEQUENTLY TO HAVE TO ACCEPT THE FRENCH APPROACH OR A VARIANT THEREON.

6. I AM NOT CERTAIN EXACTLY HOW I WOULD PLAY THE HAND WERE IT MINE TO PLAY, BUT I FAVOR THIS GENERAL APPROACH AND AM CONVINCED THAT A FULL-BLOWN CRISIS AND A CONFRONTATION NOW OVER THE FORTY PERCENT NUMBER WOULD BE AN ERROR. THE NEXT IMPORTANT PRESSURE POINT SEEMS TO BE THE LIKELY JULY ECONOMIC SUMMIT. BY THEN, IN MY VIEW, WE SHOULD BE WELL ALONG ON THE TARIFF SIDE WHICH, AT THE COST OF CREDIBILITY, CAN PERHAPS BE ACCOMPLISHED NOW BY SIGNALING FLEXIBILITY ABOUT THE BAND, OR WE SHOULD

HAVE BEGUN DETAILED TARIFF TALKS WITH OTHERS AND DEVELOPED A SERIES OF OTHER US-EC ISSUES TO THE MAKE-OR-BREAK POINT SO THAT A DEAL CAN BE STRUCK WORKING AROUND, OR AT, THE SUMMIT. HINTON

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NNN

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